Siemens Energy Q4 FY26 Pre-Close Group Call

Operator

Good afternoon, and welcome to Siemens Energy's pre-close group call for the fourth quarter and fiscal year 2026.

Before we begin, please note that today's call is being recorded. The recording will be available on Siemens Energy's website until the fiscal year results are published.

Before we start, I would like to remind you of the Information and Forward-Looking Statements disclaimer, which applies to comments made during this call.

At this time, I would like to hand over to your host today, Mr. Tobias Hang. Please go ahead, sir.

Tobias Hang

Head of Investor Relations

Introduction

Good afternoon and good evening to those joining us from Asia, and a warm welcome to the Siemens Energy pre-close call for the fourth quarter and fiscal year 2026.

The purpose of today's call is to reinforce our previously communicated guidance and to recap the key messages that we have consistently shared since our Q3 results.

We plan to publish our Q4 and fiscal year 2026 results on Wednesday, November 11 at 7:00 a.m. CET, with the webcast scheduled for 10:00 a.m. CET that morning, which will be extended to 90 minutes.

We will take you through the major developments during Q4 fiscal year 2026 but also provide you with our FY 2027 outlook and FY 2030 targets based on the individual business area's performance as well as an updated capital allocation framework until FY 2030. As usual, we will share our company-compiled consensus one week ahead of the earnings release, and our silent period will begin immediately after this call.

Let me briefly guide you through today's agenda. I will start by recapping the key messages that we have consistently communicated over recent weeks and share our view of the current market environment. I will then review the performance and market dynamics across Gas Services, Grid Technologies, Transformation of Industry, and Siemens Gamesa. I will then address fourth-quarter seasonality and cash flow and conclude with a few additional remarks.

We will finish with a short Q&A session to clarify statements already made during the quarter. Please remember that we cannot provide information beyond what has already been communicated.

Overall messages

Together with our management team, we have held numerous investor meetings over the past few weeks. Let me therefore recap the four key messages we have consistently communicated.

First, our markets remain structurally strong and diversified. Rising electricity demand, electrification, resilience and infrastructure replacement provide the foundation of the strong market, while data center activities add further upside.

Second, execution is becoming a key determinant of value creation. Our focus is on converting our record backlog into revenue, profit and cash through disciplined project delivery, capacity ramp-ups and operational excellence.

Third, the profitable growth expansion runway extends well beyond the current order cycle. Today's Gas Services equipment orders build the installed base for recurring service revenues and cash generation well into the next decade. Grid Technologies benefits from long-term infrastructure investment, multi-year visibility and enduring electrification trends.

Fourth, stronger earnings and cash generation provide increasing strategic flexibility. We are balancing investment in profitable growth, portfolio development and sustainable shareholder returns while preserving the balance-sheet strength required for our long-cycle project business.

Overall, Siemens Energy is entering its next phase from a position of strength supported by favorable market fundamentals, disciplined execution, a long-duration growth runway, and increasing financial flexibility.

Current environment

Let me now focus on the current environment.

Our core message remains unchanged. We continue to operate in structurally growing electricity markets, supported by electrification, rising power consumption, the need for reliable and dispatchable generation, grid expansion and the replacement of aging infrastructure.

Demand remains broad-based across geographies, customer groups and applications. Data centers are an important additional driver, but they are not the foundation of our outlook. General higher electricity demand, resilience, security of supply, regulated grid investment and replacement demand remain the primary structural drivers.

In addition, the increasingly frequent periods of extreme temperatures experienced across Europe and other regions globally in recent months reinforce our expectation that cooling and air conditioning will account for an increasing share of global electricity demand in the years ahead.

Across our markets, the principal constraint is not underlying demand. It is the pace at which physical infrastructure can be permitted, financed, built, connected and commissioned. Across the industry, customer demand continues to exceed the pace at which generation, transmission and supporting infrastructure can realistically be

brought to market. We continue to apply disciplined project selection to ensure attractive pricing conditions, long-term service opportunities and contractual protection.

The execution of our record backlog is therefore a core message as we close the fiscal year. Our priority is to convert backlog into revenue, profit and cash through disciplined project execution, timely factory ramp-ups and operational excellence.

Market environment

Let us now turn to the broader market environment.

For gas turbines, our planning assumption remains an annual market of around 110 to 120 gigawatts over the coming years, with a further 10 to 20 gigawatts of potential upside from data centers.

Electricity demand growth, fleet replacement, coal-to-gas shift and the increasing need for dispatchable capacity provide a broad and durable foundation of the gas-turbine market and account for up to 80 GW. The remainder of the above-mentioned demand forecast is driven by the build-out of data center infrastructure.

The gas market remains supply-constrained, and industry capacity additions continue to be orderly. Smaller players and small to mid-size frames are benefiting from the current market opportunity, but this does not alter the structural market balance for large gas turbines, which dominate the market due to their efficiency and lower life-cycle costs.

Pricing in Gas Services remains very strong. Attractive delivery windows continue to command a premium, especially in the United States, and elevated US pricing also supports other regions. At the same time, order intake per gigawatt should not be used as a pricing indicator because frame size, geography, Hertz rating, scope and the new-unit and service mix can materially distort that metric.

During our Q4 earnings call, we will provide, as usual, the dynamics of the backlog margin improvement year over year.

In Grid Technologies, pricing trends are slightly differentiated by region. In the US market we continue to see premium pricing overall and especially where delivery slots are available. While the pricing dynamic in regulated markets such as Europe have stabilized at a high level. Going forward, margin expansion will increasingly be driven by backlog conversion, cost management, capacity utilization and operational excellence rather than further broad-based price increases.

Gas Services

Let‘s now have a deeper dive into Gas Services.

Demand continues to be exceptionally strong and diversified, contractual terms and conditions remain favorable, and the fiscal year 2027 project pipeline provides strong visibility.

As communicated, the fourth-quarter order intake is expected to be below the exceptionally strong levels of the first three quarters. This reflects normal project phasing and the large-project nature of the business, not a change in the underlying market.

Order intake should therefore be assessed on a full-year basis rather than on a single quarter.

Slot reservation agreements remain an important part of our commercial process. They are structured commitments rather than speculative reservations and are generally intended to convert into firm orders within a defined period, typically around six months. Reservation fees and advance payments provide economic protection, and our project-selection process remains highly disciplined to ensure that the projects we select are viable and can support 15 to 20 years of long-term service revenues. We have not seen any delays or cancellations of previously signed slot reservation agreements or orders.

During the first three quarters, we booked around 40 gigawatts of firm gas turbine orders, including 15 gigawatts in Q3. Total customer commitments, including reservation agreements, stood at 95 gigawatts and are trending towards our communicated approximately 100 gigawatts by fiscal year-end.

Our capacity discipline remains unchanged. We continue to target approximately 30 gigawatts of annual delivery capacity by 2030. The focus is now on executing the capacity expansion announced at the Capital Market Day, including strengthening critical supply chains through vertical integration and expanded in-house manufacturing capabilities. In parallel, we are unlocking additional capacity and efficiency from our existing gas turbine facilities through automation, robotics, and continuous productivity improvements. This approach allows us to support growth while maintaining disciplined capital allocation and attractive returns.

During previous quarters, there have been many discussions about the industry supply of blades and vanes. We are strengthening vertical integration and have signed framework agreements with our suppliers to support deliveries into the 2030s. All key components are multi-sourced to avoid dependency on individual suppliers. Our investments in the in-house blades and vanes production capabilities position us well, particularly as the long-term service business requires around 70 percent of blades and vanes. The new-unit production capacity itself, however, is usually not shared with the service business as the inspections typically take place at the customers' sites.

Medium-sized gas turbine capacity has increased from around 50 units in fiscal year 2025 to around 80 units this year. The large gas turbine expansion from 35 to 50 units remains fully on track and will contribute from fiscal year 2027 onwards.

As we experienced in the third quarter, revenues were positively impacted by higher medium-sized turbine capacity. For this quarter, we expect this to remain at similar levels.

On profitability, new-unit margins continue to expand. Orders booked today carry better margins than both, the backlog executed in the past and orders signed in the first half of this fiscal year. Margins embedded in current slot reservation agreements also continue to be higher. Backlog conversion over the next two to three years, and over a longer period for larger turbines therefore supports further sustainable margin progression.

Service remains a highly attractive and recurring part of the business. Long-term service agreements average around 17 years, and at last years' CMD we have communicated that the lifetime service opportunity is around 400 million euros per gigawatt. The service benefit follows the delivery, installation and warranty phases, which means the full

contribution from today's new-unit orders develops gradually over time. Please consider, that depending on the frame size, installation takes 12 to 24 months and the warranty phase normally lasts another 24 months.

This means the first long-term service revenue streams typically start three to four years after our products leave the factory, while modification and upgrade opportunities arise only after six to seven years. More broadly, each new unit delivered today expands the installed base that will generate recurring service revenues, cash flows and customer engagement opportunities for decades to come.

Grid Technologies

Let me now turn to Grid Technologies.

The market environment remains strong, supported by regulated grid investment, the replacement of 30- to 40-year-old assets, interconnection, grid stabilization and resilience. Data centers are additive to this story, but they are not its foundation.

Order momentum continues to be led by the product business, particularly large power transformers with Europe and North America remaining the strongest regions. Visibility is structurally long: HVDC and large power transformers provide multi-year visibility into the early 2030s. While switchgear is more transactional but supported by predictable grid investment plans.

As expected, in the fourth quarter, we did not book an HVDC project, so order intake remains similar to previous quarters without any large-project one-offs.

We are happy to report that the first brownfield expansions for large power transformers and gas-insulated switchgear started to come online in Q3. We are also expanding our solutions and EPC capacity, particularly in the fast-growing US market. The US continues to deliver strong growth, driven by new generation, data-center demand, and the need for stronger connections and grid reinforcement.

The brownfield expansions are supporting a further increase in fourth-quarter revenue and higher profitability consistent with the Grid Technologies guidance upgrade announced in the second quarter.

Profitability development continues to be driven by higher volumes, a better margin profile in the executed backlog and disciplined execution. With pricing at an elevated level, operational excellence, capacity utilization and cost management will become even more important drivers of further improvement.

Europe continues to be a strong and attractive market for Grid Technologies, with significant growth opportunities driven by sustained interconnection and grid investment needs. Following a period of substantial project awards in HVDC, customers and the industry are actively advancing execution and positioning the supply chain for the next phase of growth. We remain confident in the long-term demand outlook and in our planned execution capacity. As previously communicated, we expect to book the next HVDC order in early fiscal year 2027.

Our digital-grid strategy is deliberately focused on intelligent, digitally enabled equipment rather than a broad software platform. Camlin and Noedra's capabilities,

combined with our collaboration with NVIDIA, strengthen and accelerate this focused approach.

Transformation of Industry

Let's continue with Transformation of Industry.

Transformation of Industry continues to be a strong and reliable earnings and cash contributor, supported by a balanced new-unit and service portfolio as well as attractive end markets.

As communicated, Siemens Energy is preparing the legal and operational separation of the business. The objective is to establish a self-sustaining industrial energy solutions company with greater strategic and financial flexibility. The range of options includes co-investors or private ownership as well as a capital-markets transaction.

Siemens Energy intends to deconsolidate Transformation of Industry while retaining a meaningful minority stake. This would support continuity and customer trust in businesses with long-term service commitments, while preserving participation in potential future value creation.

The strategic rationale remains clear. The electricity businesses have increasing capital requirements, while Transformation of Industry serves different markets, customers and investment priorities, with limited customer and sales synergies. A standalone setup would sharpen strategic focus and provide greater flexibility and access to capital.

No final decision is expected before around mid-calendar 2027. We are initiating the process from a position of strength: the business is profitable, cash-generative and has a good order book, giving us the flexibility to pursue the option that creates the greatest value.

Siemens Gamesa

Now let's move to Siemens Gamesa.

The first positive quarterly result since the fourth quarter of fiscal year 2022 marked a significant turnaround milestone. Our full-year breakeven target remains firmly on track. The turnaround is not yet complete, and execution discipline, quality management and cost efficiency remain key priorities.

In Offshore, fiscal year 2026 order intake has been below our expectations as project decisions have shifted to the next fiscal year. The underlying opportunities remain intact, with many projects now positioned to support order intake in fiscal year 2027.

The current European offshore build-out of around 4 to 5 gigawatts per year remains below the level required for a more sustainable market, which would be closer to 8 to 9 gigawatts annually. We will book one large offshore order this quarter, but do not expect a full catch-up for the offshore orders that have been pushed out to fiscal year 2027.

In Onshore, our approach remains selective and service-led rather than volume-led. Building a structurally attractive margin profile takes time because new-unit deliveries must first expand the installed base and the future service portfolio.

Longer term, the margin potential remains attractive, particularly in Offshore, supported by longer product cycles, better industrialization and sufficient annual market volume. In parallel, our immediate priorities are to de-risk execution, reach cash breakeven and improve market visibility.

Seasonality and fourth-quarter phasing

Let me now briefly address fourth-quarter phasing.

Following an exceptionally strong third quarter, we are confident that fourth-quarter group margins will remain around the solid first-half level, fully in line with our consistent communication. This reflects the expected business mix and project phasing, normal service seasonality in Gas Services, planned corporate costs, and the anticipated year-end ramp-up in capital expenditure.

The improving margin quality in the backlog, higher volumes and continued operational execution support further progression over time.

Capital expenditure is back-end loaded into Q4, however lower than communicated in the CMD, and consistent with the typical fiscal-year pattern including the ramp-up of our capacity expansion programs.

Overall, we confirm that we expect group profitability to be at the upper end of the guidance range.

Cash flow and capital allocation

Let me briefly touch on cash flow and capital allocation.

The fourth quarter includes back-end-loaded capital expenditure and the usual working-capital phasing. It is also important to distinguish between cash items and non-cash accruals. The Q3 other line included reservation fees as well as personnel-related accruals that affected profit but were not cash-effective.

Growing profitability and disciplined cash conversion are the structural foundations of our cash generation. Reservation fees provide additional support, while we continue to target cash conversion above one throughout the cycle and to remain a net-cash company.

On 24 September, we started the third tranche of our previously announced share buyback program of up to 6 billion euros. This tranche comprises a volume of up to 2 billion euros and is scheduled for completion no later than March 31, 2027. Our dividend policy remains unchanged, with a payout of 40 to 60 percent of net income attributable to Siemens Energy shareholders.

For fiscal year 2026, total shareholder returns of more than 3.6 billion euros include the fiscal year 2025 dividend paid this March and the two share buyback programs tranches of 3 billion Euros which have been concluded in fiscal year 2026 plus the lately initiated third share buyback tranche.

We continue to review our capital allocation framework. A more comprehensive update, together with the full financial framework and our mid-term ambitions, will be provided with the fiscal year results in November.

Additional remarks

Finally, a few additional remarks.

In the United States, demand remains strong and projects continue to advance as permitting, interconnection timelines and EPC capacity progress. We have seen no data-center project cancellations, and our reservation fees, advance payments and termination provisions provide robust economic protection.

The US bulk-power equipment Executive Order is targeted rather than a blanket ban, with key implementation details still to come. Against a backdrop of strong US transformer demand that exceeds current domestic production capacity, the order's apparent focus on equipment, components and digital access from sanctioned or security-sensitive jurisdictions could strengthen the position of trusted suppliers and create additional opportunities for Siemens Energy.

Across all businesses, value over volume remains our guiding commercial principle. We continue to apply strict project selectivity, pricing discipline and close customer engagement.

Closing

Let me conclude with the key messages.

First, demand across our core markets remains structurally strong, global, and diversified. The gas market continues to be supply constrained, Grid Technologies continues to benefit from multiple long-term growth drivers, and data centers provide additional upside without being the sole foundation of either growth story.

Second, execution is a key priority. Capacity expansions are progressing as planned, backlog quality continues to improve, and the disciplined conversion of backlog into revenue, profit, and cash underpins the next phase of value creation.

Third, our business-specific investment theses remain unchanged. Gas Services continues to benefit from strong demand, attractive pricing, and resilient recurring service revenues. Grid Technologies delivers sustained growth and margin expansion through operational execution. Siemens Gamesa remains on track to achieve full-year breakeven, while Transformation of Industry continues to perform well as we prepare the business for a potential separation from a position of strength.

Finally, we reaffirm our upgraded fiscal year 2026 outlook. We continue to expect comparable revenue growth of 14 to 16 percent and a profit margin before special items of 10 to 12 percent, trending towards the upper end, net income of around 4 billion euros and free cash flow pre-tax of around 8 billion euros.

With that, we will start today's Question & Answer session. If you wish to ask a question, please press "*1" on your telephone keypad. If you no longer want to ask a question, please press "*2".

Q&A Session

Tobias Hang
Head of Investor Relations

[Operator Instructions] With that, I will just call right now Max Yates from Morgan Stanley for the first question.

Max Yates
Morgan Stanley

Tobias. I guess just my first question is on the market outlook could clarify. You talked about 110 to 120 megawatts that you sort of 10 to 20 gigawatts of additional demand on top of that I guess.

Tobias Hang
Head of Investor Relations

Sorry, the connection was quite bad. I know it's just a...

Max Yates
Morgan Stanley

I was just saying, so you marked that you've talked about 100 to 110 gigawatts. But I thought you also said that maybe there was an additional 10 to 20 gigawatts of demand on top of that, which sounded to me. But I was just checking that I have heard that correct or is that not right?

Tobias Hang
Head of Investor Relations

Thanks a lot, Max. Then I heard it correctly. So we continue to say that we have now increased the market from the last capital market view to 110 to 120 gigawatts, but we see additional potential upside from data centers of 10 to 20 gigawatts. That means potentially it might be a market of roughly 130 to 140 depending on how the data center demand will be turning out.

Max Yates
Morgan Stanley

Okay. And just one quick clarification. Obviously, great margin.

Tobias Hang
Head of Investor Relations

I think I have lost you, sorry.

Max Yates
Morgan Stanley

Can you hear me now?

Tobias Hang
Head of Investor Relations

Yes, I hope.

Max Yates
Morgan Stanley

Yes. Okay. Well, just very quickly. Q4 in Grid has a very wide range of outcomes because of the guidance. The guidance is quite wide. I guess what I'm trying to understand is, you know, when we think about sort of sequential margin progress, you know, do you feel yourself trending towards the upper end of the full year grid guidance, or you know, more midpoint or more lower end, just to get a kind of sense of you know rough ballpark for that Q4, because obviously it's a very wide range of outcomes depending on where you come.

Tobias Hang
Head of Investor Relations

I mean thanks, Max, for this question. Generally, I mean, as you might have noticed, we have not really specified further the guidance for the individual business area. So it means we didn't really show or talk about any trends there. What you still have to consider though is and that's what we already mentioned in Q3 is that the additional revenue growth we could see from the capacity additions, which came online from our brownfield expansions, certainly on the one hand, provided us additional revenue and therefore, also a certain margin expansion.

So therefore, I think it was quite easy in Q2 when we upgraded our margin to somehow do the math where we should be getting into if you, let's say, would take it to the midpoint of the guidance. So therefore, I would expect that there is a certain margin progression continuing due to the fact that we have higher revenues within Grid Technologies after the capacity expansion.

Max Yates
Morgan Stanley

That’s great, thank you.

Tobias Hang
Head of Investor Relations

Thank you so much. As we, as I'm seeing, that everything seems to be quite clear so far. I mean, I also have to admit we had quite a long intro. I don't see any additional questions.

So therefore, thank you so much for participating in today's call. And with that, we will conclude our pre-closed call today. Thank you very much for your participation and your continued engagement. Have a wonderful evening or afternoon, and please mark in your calendars again November 11th, 2026, when we will have our Q4 full-year results released. Thanks a lot, and a good afternoon. Bye bye.